GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:4169
ANSWERED ON:14.12.2001
WEAK COOPERATIVE BANKS
NEDURUMALLI JANARDHANA REDDY;SHYAMA SINGH

Will the Minister of FINANCE be pleased to state:

(a) whether the Government are aware that most of the cooperative banks in the country are weak;

(b) if so, the names of such banks identified as weak by RBI;

(c) whether the Government have ascertained the reasons of these cooperative banks;

(d) if so, the details thereof;

(e) whether the norms of RBI are being flouted by most of the cooperative banks; and

(f) if so, the facts thereof and the reasons thereof?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL):

(a) and (b) As per reports received from Reserve Bank of India (RBI) and National Bank for Agriculture and Rural Development (NABARD), it is not correct to say that most of the cooperative banks in the country are weak. Of the 2087 urban cooperative banks in the country as on 31st October, 2001, only 262 are classified as weak, constituting 12.6% of the total number of urban cooperative banks. Similarly, the statutory inspection of State Cooperative Banks (SCBs) and District Central Cooperative Banks {DCCBs) have revealed that as on 30th June, 2001, 7 SCBs out of 30 and 141 DCCBs out of 369 having negative networth can only be classified as weak. The names of such cooperative banks identified as weak by RBI are being collected and, to the extent available, will be laid on the Table of the House.

(c) and (d) A Task Force headed by Shri Jagdish Capoor constituted by Government to study the cooperation credit system has indicated that weakness in the cooperative credit structure is primarily due to dual control of RBI and State Governments, limited resources, dependence on higher financing agencies, lack of skilled manpower, inadequate spread, extreme politicalisation/ bureaucratic interference, rising cost and lack of professional management, etc.

(e) and (f) It is not correct to say that the norms/ guidelines issued by RBI are flouted by most of the banks. RBI/NABARD take appropriate action wherever any of these banks are found to be not complying with the provisions of Banking Regulation Act or guidelines issued by them.